

Memorandum

To: Chairman Jackalyne Pfannenstiel, Presiding Member
Commissioner Jeffrey Byron, Associate Member

Date: December 29, 2006
Telephone: (916) 651-8853
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From: California Energy Commission - Robert Worl
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Subject: STATUS REPORT #2 FOR THE HIGHGROVE PROJECT (06-AFC-2)

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DATA REQUESTS AND RESPONSES

Energy Commission staff issued Highgrove Project (HP) Data Requests 1 through 85 to the applicant on October 5, 2006. Data Responses were received from the applicant on November 6, 2006. A Data Response and Issues Resolution Workshop took place on November 16, 2006, in the City of Grand Terrace. A joint public workshop with the South Coast Air Quality Management District and the Energy Commission was held as an evening event in conjunction with the Data Response workshop.

FEDERAL, STATE AND LOCAL AGENCY COMMENTS AND CONTACTS

No comments from federal agencies have been received at this time. The U.S. Environmental Protection Agency (EPA) is expected to make a determination regarding the South Coast Air Quality Management District's request to find the South Coast air basin in attainment for carbon monoxide, which will affect this project's need for CO emission reduction credits (ERCs). The EPA decision could be published as early as January 2007.

California Department of Toxic Substances Control

The Department of Toxic Substances Control (DTSC) attended the November 16, 2006 workshop to clarify their current and future plans for the required examination and clean-closure of certain areas of the project site. DTSC, the applicant, and the Energy Commission staff are working together on the appropriate steps for site characterization and determination of any required remediation actions and timing of activities that could affect the proposed HP schedule.

City of Grand Terrace

Staff has been working with City staff to identify areas of concern and the potential relation of the HP to planned and future City development. The City, through its Redevelopment Authority (RDA), is negotiating with the applicant to exchange equal-size parcels that will allow the demolition of the existing Highgrove Generating Station (owned by the applicant) and construction of the HP on the section of the property formerly used for above-ground storage tanks (Tank Farm property). The Tank Farm property, currently owned by the City through the RDA, will allow a greater set-back from Taylor Road and the proposed new Colton High School. Additionally the exchange

of Taylor Road frontage property will allow the City to pursue redevelopment of this area as it deems appropriate.

City of Riverside

Staff has also received information and information requests from the City of Riverside regarding the routing and tentative schedule of construction of the 7.2-mile gas pipeline that will traverse City of Riverside streets.

Colton Joint Unified School District

The School District's current plans for the new high school planned for the area to the east of Taylor Road involve the beginning of construction in early 2007. Staff is working to ensure that the analysis effectively examines any potential for impacts upon the school property, the students and school staff.

South Coast Air Quality Management District

South Coast Air Quality Management District (SCAQMD, District) has requested additional information from the applicant in a November 1, 2006 letter, and indicated that receipt of the additional information will affect the completion of their Preliminary Determination of Compliance (PDOC). The District has held an evening public meeting in conjunction with staff's data response workshop on November 16, 2006. The District is holding public meetings in all the communities where there are proposed power plant projects as part of their process for evaluating requests for use of the adopted Rule 1309.1, Priority Reserve Program.

To qualify for drawing pollutant credits from the Priority Reserve bank, the applicant must document its "due diligence efforts" to secure available ERCs on the open market. Staff has received a confidential status report, also supplied to the SCAQMD, which documents the applicant's efforts to perform their due-diligence search regarding offsets for emissions

Additionally, the SCAQMD is now proposing to amend Rule 1309.1 (PAR 1309.1) and is holding additional public meetings, one of which is scheduled for Grand Terrace, CA on January 3, 2007. This is in response to direction from the SCAQMD Governing Board. Significant changes are proposed that would alter access to and costs of participation in the Priority Reserve. An initial reading of the PAR 1309.1 indicates that the Highgrove Project will not be able to rely on the Priority Reserve for any of its emissions reduction obligations.

SCHEDULE

Data Responses were received on November 6, 2006, and a Data Response and Issues Resolution Workshop was held on November 16, 2006, in Grand Terrace. The City of Highgrove, Colton Unified School District, SCAQMD, the Department of Toxic Substances Control, and two local water agencies participated. Staff does not know the timeframe for issuance of the Preliminary Determination of Compliance by SCAQMD

making it difficult to prepare a schedule for the remainder of the project at this time. Staff will work with the applicant and the SCAQMD in January to determine the issues related to emission reduction credits and the SCAQMD's Proposed Amended Rule 1309.1 and their expected impact to the project schedule. We will provide the Committee with the information we obtain in a subsequent status report that will be filed in late January or early February of 2007.